

Message Text

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PAGE 01 OTTAWA 00652 191942Z

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E.O. 11652: N/A
TAGS: MILI, MARR, EAIR, CA
SUBJECT: GOC CONSIDERING BOEING FOR LONG RANGE PATROL AIRCRAFT
(LRPA)?

1. USUALLY WELL INFORMED OTTAWA JOURNAL COLUMNIST JACK BEST HAS PUBLISHED ARTICLE FEBRUARY 17 ENTITLED "GOVERNMENT MAY TURN TO BOEING DEAL FOR LRPA". ACCORDING TO BEST, GOC'S PLAN TO EQUIP CANADIAN FORCES WITH 18 LOCKHEED LRPA APPEARS TO BE IN EXTREME JEOPARDY AND DEFMIN RICHARDSON HAS CONCEDED GOC MIGHT HAVE TO LOOK TO ALTERNATIVES. APPARENTLY RICHARDSON SAID IN AN INTERVIEW THAT "HE HAD HEARD THAT BOEING CORPORATION, WHICH LOST TO LOCKHEED IN THE COMPETITION..., MAY MAKE NEW PROPOSALS AS A RESULT OF THE PRESENT UNCERTAINTY. THE SUGGESTION WAS THAT BOEING ADAPT ITS 727 OR 737 JET LINER TO THE LRPA ROLE... A NEW APPROACH FROM BOEING WAS MOST UN-OFFICIAL BUT IT WOULD MAKE SENSE AND THE GOVERNMENT WOULD HAVE TO CONSIDER IT... PRESUMABLY WITH A SMALLER PLANE BOEING WOULD BE ABLE TO MAKE A MORE COMPETITIVE OFFER".

2. BEST INDICATES THAT A BOEING SPOKESMAN, IN A TELEPHONE INTERVIEW, NEITHER CONFIRMED NOR DENIED THE SUGGESTION.

3. BEST GOES ON TO REPORT ACCUSATION IN HOUSE OF
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PAGE 02 OTTAWA 00652 191942Z

COMMONS THAT GOC WAS "TRYING TO WELCH ON ITS COMMIT-MENT".

4. COMMENT: IT WOULD NOT BE SURPRISING IF THIS LATEST STORY IS A FURTHER ATTEMPT BY GOC TO CREATE A SMOKE-SCREEN COVERING ITS APPARENT EMBARRASSMENT REGARDING THE LACK OF FUNDS TO PURCHASE LOCKHEED LRPA AIRCRAFT. IF ALLEGATIONS ARE TRUE THAT GOC DOES NOT HAVE THE FUNDS UP FRONT TO PAY FOR THE AIRCRAFT, IT WOULD OBVIOUSLY BUY TIME IF IT WERE TO SHIFT ITS ATTENTION TO THE BOEING AIRCRAFT. ON OTHER HAND IT IS DIFFICULT TO SEE HOW GOC COULD AVOID SERIOUS EMBARRASSMENT IF, IN ADDITION TO TRYING TO CLEAR UP QUESTION REGARDING LOCKHEED'S INTEGRITY AND FINANCIAL HEALTH, IT APPEARS TO BE RECONSIDERING BASIC DECISION IN FAVOR OF LOCKHEED AIRCRAFT WHICH WAS MADE ONLY AFTER YEARS OF STUDY OF VARIOUS ALTERNATIVES AND WHICH WAS JUSTIFIED PRINCIPALLY ON GROUNDS THAT LOCKHEED AIRCRAFT WOULD BEST MEET DND'S OPERATIONAL REQUIREMENTS AND GOC'S OFFSET REQUIREMENTS.

5. ANOTHER FACTOR WEIGHING AGAINST MOVE TOWARD TEMPORARY TACTICAL HEDGING IS THAT LOCKHEED HAS ALREADY BEGUN WORK PRIOR TO SIGNING FORMAL CONTRACT ON BASIS "GREEN LIGHT" FROM GOC AND THAT ANY EXTENDED DELAY WILL UNDOUBTEDLY MEAN MUCH HIGHER COSTS IN LONG RUN. ACCORDING TO LOCKHEED OFFICIALS, GOC GAVE SOME THOUGHT TO ALLOWING LRPA TIMETABLE TO SLIP 18 MONTHS BUT CALCULATED THAT THIS WOULD INCREASE TOTAL COST BY DOLLARS 200 MILLION, INCLUDING INFLATION AND SUCH COSTS AS KEEPING PRESENT ARGUS FLEET OPERATIONAL LONGER.

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